

APPENDIX No. 1

This system was created by a law passed in 1894 which took for its nucleus of organization the small unions and agricultural syndicates already in operation in local communities. The following statement from Senator Albert Viger of France for some years President of the National Federation of Agricultural Co-operative Associations indicates the idea behind the scheme:—

“The first step toward the establishment of an Agricultural Credit System in France was to organize rural credit from below, to see that the roots were firmly fixed in the agricultural population itself. An idea formerly prevailed in France as in other countries that agricultural credit could only be established by the formation of great central banks from whence credit could flow out to all the local centres. When the government of France finally took up the question of agricultural credit in earnest, it was planned on an entirely different principle. It was decided that agricultural credit should begin with the lowest group; that the co-operative agricultural society or syndicate should form its own credit bank and that these should grow from below. Under the French system we therefore have the credit syndicate and out of these the departmental banks (Regional Banks) usually located in the principal towns and finally the Central Federation of credit over which I preside. The development of the system has been from the growth of the small unit.”

It will be seen, therefore, that the unit of organization like that of the Raiffeisen system is the small group in the community organized for the purpose of facilitating the credit of the group. There are 4,000 of these local groups or banks organized in France; 1,000 on the principle of unlimited liability; 3,000 with limited liability. A bill is now before the French Parliament compelling the principle of unlimited liability. The system is highly specialized and includes only the farmers of the community.

In 1899, a system of Regional Banks was founded of which there are 100 now in operation. These correspond to the Central Banks of the Raiffeisen system. Each of the four thousand local banks functions through one of the Regional Banks. These are joint stock banks fostered by the state but not state-owned. State aid is granted on condition that they submit to state supervision. This aid stimulates their development so that to-day the system embraces the whole nation.

The Regional Banks were organized for two reasons:—

(a) To discount the bills of the local bank and to endorse them for the Bank of France. This was necessary because the Bank of France is not permitted by law to discount bills with less than three signatures. The endorsements of the farmer, the local bank and the regional bank, fulfil this condition. Further, it places between the Bank of France and the local unit an intermediary capable, from intimate knowledge, of valuing the security offered.

(b) The regional banks were further necessary as a medium for distributing the funds placed at the disposal of agricultural credit, by the Government. Each one receives from the government through the Bank of France four times the amount of its paid-up capital. This amount it uses as a reserve fund on deposit with the Bank of France to secure its credit for discounting purposes. The money for this is found as follows:

The charter of the Bank of France having expired in 1896, was renewed by the Government under certain conditions favourable to agriculture. The conditions were: